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FM AMEMBASSY ANKARA  
TO RUEHC/SECSTATE WASHDC 6543  
INFO RUCNCIS/CIS COLLECTIVE  
RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEHGB/AMEMBASSY BAGHDAD 1243  
RUEUITH/ODC ANKARA TU  
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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 001085

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E.O. 12958: DECL: 06/12/2018  
TAGS: [ENRG](#) [EPET](#) [TU](#)  
SUBJECT: BOTAS CONFIRMS SOCAR GAS OFFER

REF: A. ANKARA 1070  
[1](#)B. ANKARA 1071

Classified By: Ambassador Ross Wilson for reasons 1.4 (B) and (D)

[1](#)1. (C) Summary. June 4 talks between PM Erdogan and Azerbaijan President Aliiev resulted in a SOCAR offer to sell 50% of the Shah Deniz phase II export volumes to Turkey (roughly 5 bcm), BOTAS Chairman Duzyol told the Ambassador on June 11. Duzyol went on at length about Turkey's need for gas; he is seeking more from the Azerbaijanis, i.e. 60-70% of Shah Deniz export volumes. Duzyol repeated several times that gas sold to Turkey would be used domestically, not traded, not re-exported. Duzyol asked for the Ambassador's help to speed up Iraqi gas development and bring gas, particularly Akkas gas, to Turkey through a northern route, rather than through Syria. Ambassador said our priority now is getting Iraqi hydrocarbon legislation passed and getting Akkas gas to market as quickly as possible. End summary.

[1](#)2. (C) BOTAS Chairman Duzyol told the Ambassador that SOCAR had made a concrete offer to sell gas to Turkey during the June 4 Nakhchivan talks between PM Erdogan and Azerbaijan President Aliiev. Specifically, SOCAR offered to sell to Turkey 50% of the Shah Deniz Phase II gas that reaches the Turkey-Georgia border. Duzyol said he expects about 10-11 bcm at the border, which would leave 5 to 5.5 bcm for Turkey to purchase. Duzyol explained that SOCAR's offer was not enough to meet Turkey's internal gas demand. He is seeking to purchase of at least 8 bcm from Shah Deniz Phase II volumes.

[1](#)3. (C) By 2020, Duzyol expects Turkey will be 18 bcm short of its gas needs. The supply predicament becomes more dire if two key contracts are not renewed: Russia's western line contract for 6 bcm (expires 2011); and Algeria's LNG contract for 4 bcm (expires 2014). Duzyol said the key issue for him is striking a balance between Turkey's domestic gas needs and Turkey's strategic interests in developing a gas corridor to Europe. Duzyol repeated several times that Turkey has no desire to act as an "intermediary for Azeri gas." Turkey is not seeking to sell or re-export Azeri gas. In fact, he bluntly said he "didn't care" how Shah Deniz Phase II volumes in excess of Turkey's purchases would be exported to Europe via Nabucco, Turkey-Greece-Italy (TGI) or Trans-Adriatic (TAP) pipelines. He added limited gas supply in the short run means only one of these projects can forward and Europe should make its priorities known.

14. (C) Duzyol said negotiations with the EU were important for continued investment and development of Caspian upstream gas. The idea of "book building," or a consortium of buyers, is to signal to such gas producing states as Turkmenistan and Kazakhstan that demand for gas will clearly justify large scale investment. Duzyol said he would travel to Brussels for meetings with Nabucco partners and EU Nabucco Coordinator Deputy Brendan Devlin June 15-16.

15. (C) Duzyol asked the Ambassador what the U.S. could do speed up development of Iraqi gas. Ambassador responded our priority is securing the passage of the hydrocarbon law before the Iraqi parliamentary recess. Ambassador added an increasing number of interested buyers for Akkas gas meant it would be developed with the most likely export route through Syria to the Arab Gas Pipeline (AGP). Duzyol responded that Turkey objects to Syria becoming an intermediary for Iraqi gas and a better export route is through Northern Iraq, directly linking to Turkey and to Europe. Duzyol fears Akkas gas through AGP would prevent the emergence of a northern route because AGP would de facto become the primary route for all Iraqi gas exports. Ambassador said the U.S. is supportive of Akkas development and has posed no objection to transit of Akkas gas through Syria to AGP to Turkey and other European markets. The Syria route appeared to be the cheapest, fastest and most practical.

16. (C) Comment: SOCAR's offer to Turkey represents tangible, concrete progress in our strategy to bring more Caspian gas to Europe. We will continue to urge Turkey to come to agreement with Azerbaijan. The issue of price is still

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outstanding and will likely be difficult. Duzyol's comments, like those of Energy Minister Guler (ref a), seem to indicate that Turkey is finally moving away from its previous demand for purchasing 15% of gas transiting Turkey at a net-back price. End comment.

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